

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):
October 19, 2008

CHIMERA INVESTMENT CORPORATION
(Exact name of registrant as specified in its charter)

<u>Maryland</u> (State or Other Jurisdiction of Incorporation)	<u>1-33796</u> (Commission File Number)	<u>26-0630461</u> (IRS Employer Identification No.)
<u>1211 Avenue of the Americas Suite 2902 New York, New York</u> (Address of principal executive offices)		<u>10036</u> (Zip Code)

Registrant's telephone number, including area code: (212) 696-0100

No Change
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On October 19, 2008, Chimera Investment Corporation (“Chimera”) and Fixed Income Discount Advisory Company (“FIDAC”) amended the management agreement between the parties to provide that the incentive fee be eliminated in its entirety and that FIDAC receive only the base management fee of 1.50% per annum of Chimera’s stockholders’ equity.

Item 8.01 Other Events.

On October 20, 2008, Chimera issued a press release pertaining to the amendment of the management agreement between Chimera and FIDAC. A copy of the press release is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits:

10.1 Form of Amendment No. 2 to the Management Agreement between Chimera Investment Corporation and Fixed Income Discount Advisory Company.

99.1 Press Release, dated October 20, 2007, issued by Chimera Investment Corporation.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Chimera Investment Corporation

By: /s/ A. Alexandra Denahan

Name: A. Alexandra Denahan

Title: Chief Financial Officer

Date: October 20, 2008

AMENDMENT NO. 2
TO
MANAGEMENT AGREEMENT

THIS AMENDMENT NO. 2 dated as of October 19, 2008 (the “Amendment”) to the MANAGEMENT AGREEMENT dated as of November 21, 2007 (as amended by Amendment No. 1 dated as of October 13, 2008 and as amended or supplemented from time to time, the “Agreement”) is made and entered into by and between CHIMERA INVESTMENT CORPORATION, a Maryland corporation (the “Company”), and FIXED INCOME DISCOUNT ADVISORY COMPANY, a Delaware corporation (together with its permitted assignees, the “Manager”).

WHEREAS, the Company and the Manager desire to amend the Agreement to amend the compensation to be paid by the Company to the Manager under the Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1. AMENDMENT.

(a) The Agreement is hereby amended by striking Section 1(m) in its entirety. All subsequent definitions contained in Section 1 shall be re-lettered in correct alphabetical order.

(b) The Agreement is hereby amended by striking Section 2(e) in its entirety and replacing in lieu thereof the following.

“(e) To the extent that the Manager deems necessary or advisable, the Manager may, from time to time, propose to retain one or more additional entities for the provision of sub-advisory services to the Manager in order to enable the Manager to provide the services to the Company specified by this Agreement; provided that any such agreement (i) shall be on terms and conditions substantially identical to the terms and conditions of this Agreement or otherwise not adverse to the Company, (ii) shall not result in an increased Base Management Fee or expenses to the Company, and (iii) shall be approved by the Independent Directors of the Company.”

(c) The Agreement is hereby amended by striking Sections 8(d), 8(e), 8(f), 8(g), 8(h), and 8(i) in their entirety.

(d) The Agreement is hereby amended by striking Section 13(b) in its entirety and replacing in lieu thereof the following:

“(b) In the event that this Agreement is terminated in accordance with the provisions of Section 13(a) of this Agreement, the Company shall pay to the Manager, on the date on which such termination is effective, a termination fee (the “Termination Fee”) equal to three (3) times the sum of the average annual Base Management Fee, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. The obligation of the Company to pay the Termination Fee shall survive the termination of this Agreement.”

SECTION 2. STATUS.

This Amendment amends the Agreement, but only to the extent expressly set forth herein. All other provisions of the Agreement remain in full force and effect. Unless otherwise defined herein, initially capitalized terms have the meaning given them in the Agreement.

SECTION 3. REPRESENTATIONS.

In order to induce both the Company and the Manager to execute and deliver this Amendment, both parties represent that as of the date hereof, each are in full compliance with all of the terms and conditions of the Agreement, including, but not limited to, the warranties and representations set forth in the Agreement.

SECTION 4. GOVERNING LAW.

This Amendment shall be governed by and construed in accordance with the applicable terms and provisions of Section 21 the Agreement, which terms and provisions are incorporated herein by reference.

SECTION 5. COUNTERPARTS.

This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

SECTION 6. FACSIMILE EXECUTION.

Facsimile signatures on counterparts of this Amendment are hereby authorized and shall be acknowledged as if such facsimile signatures were an original execution, and this Amendment shall be deemed as executed when an executed facsimile hereof is transmitted by a party to any other party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

CHIMERA INVESTMENT CORPORATION

By: _____
Name:
Title:

FIXED INCOME DISCOUNT ADVISORY COMPANY

By: _____
Name:
Title:

PRESS RELEASE

FROM:

*NYSE: CIM***Chimera Investment Corporation**

1211 Avenue of the Americas

Suite 2902

New York, New York 10036

FOR FURTHER INFORMATION

Investor Relations
1 (866) 315-9930
www.chimerareit.com

FOR IMMEDIATE RELEASE**CHIMERA INVESTMENT CORPORATION ANNOUNCES FEE CHANGE TO ENHANCE
SHAREHOLDER RETURNS**

New York, New York, October 20, 2008 (BUSINESS WIRE) – Chimera Investment Corporation (“Chimera” or the “Company”) today announced an amendment to the Company’s management agreement with its external manager, Fixed Income Discount Advisory Company (“FIDAC”). The Company and FIDAC amended the management agreement to provide that the incentive fee be eliminated in its entirety and that FIDAC receive only the base management fee of 1.50% per annum of the Company’s stockholders’ equity. The change is the subject of a free writing prospectus that is being filed today that modifies the preliminary prospectus dated October 14, 2008, relating to the Company’s proposed offer and sale of shares of its common stock.

“It is clear that the events of the past 18 months have brought about a sea change in the economic, investing and policy environment, not just for Chimera but for all financial market participants,” said Michael A.J. Farrell, Chairman, Chief Executive Officer and President of Annaly Capital Management, Inc., the parent of FIDAC. “We strive above all else to put the investor first and to be transparent in all of our management activities, and to reflect that philosophy and in recognition of the new market environment, FIDAC has made the unilateral decision to adjust the management fee with Chimera. It is our goal to deliver more of the Company’s future returns to its shareholders.”

Chimera is a specialty finance company that invests in residential mortgage loans, residential mortgage-backed securities, real estate-related securities and various other asset classes. The Company’s principal business objective is to generate net income for distribution to investors from the spread between the yields on its investments and the cost of borrowing to finance their acquisition and secondarily to provide capital appreciation. The Company, a Maryland corporation that has elected to be taxed as a real estate investment trust (“REIT”), is externally managed by FIDAC, which is wholly-owned by Annaly Capital Management, Inc.

This news release and our public documents to which we refer contain or incorporate by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements which are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may,” “would,” “will” or similar expressions, or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, our absence of an operating history, our use of leverage, changes in the yield curve, the availability of mortgage loans, mortgage-backed securities and other real estate assets for purchase, changes in the market value of our assets, our ability to obtain financing and the terms of financing, general volatility of the securities markets in which we invest, interest rate mismatches between our assets and our borrowings used to fund such purchases, changes in interest rates and mortgage prepayment rates, effects of interest rate caps on our adjustable-rate mortgage-backed securities, rates of default or decreased recovery rates on our investments, prepayments of mortgage assets and the mortgage and other loans underlying our mortgage-backed or other asset-backed securities, the degree to which our hedging strategies may or may not protect us from interest rate volatility, changes in governmental regulations, tax law and rates and similar matters, market trends in our industry, interest rates, the debt securities markets or the general economy, and our ability to maintain our qualification as a REIT for federal income tax purposes. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ending December 31, 2007 and any subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim all obligations, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.
